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# Message Text

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ACTION EUR-25

INFO OCT-01 NEA-14 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 EB-11 CIEP-02 TRSE-00 STR-08

OMB-01 CEA-02 COME-00 FRB-03 XMB-07 OPIC-12 LAB-06

SIL-01 INT-08 DRC-01 FEAE-00 ( ISO ) W
---------- 041679
R 181717Z JUL 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 3907
INFO AMEMBASSY TEHRAN
AMCONSUL DUSSELDORF

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E.O. 11652: N/A
TAGS: EGEN, GW, IR
SUBJECT: IRAN ACQUIRES PARTICIPATION IN KRUPP CONCERN

1. ALL LEADING GERMAN NEWSPAPERS PROVIDED DETAILED COVERAGE OF THE ACQUISITION OF A PARTICIPATION OF THE IRANIAN GOVERNMENT IN THE FRG STEEL COMPANY FRIED KRUPP HUETTENWERKE AG OF BOCHUM. THIS NEWS WAS ANNOUNCED YESTERDAY IN JOINT DECLARATIONS IN ESSEN AND TEHRAN.

2. THE JOINT DECLARATION REPORTEDLY STATES THAT AN ADVANCE AGREEMENT WAS SIGNED ON JULY 12 IN TEHRAN BY B ERTHOLD BEITZ, CHAIRMAN OF THE BOARD OF FRIED KRUPP GMBH, AND THE IRANIAN ECONOMICS AND FINANCE MINISTER ANSARI. THE AGREEMENT PROVIDES THAT IRAN WILL PURCHASE A 25.04 PERCENT PARTICIPATION IN THE FORM OF PREFERENCE SHARES IN KRUPP HUETTENWERKE AG. THIS FOURTH-LARGEST WEST GERMAN STEEL PRODUCER HAS A TOTAL CAPITAL OF DM573 MILLION OF WHICH ABOUT 95 PERCENT IS CONTROLLED BY FRIED KRUPP GMBH. IRAN
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WILL ALSO GET A SEAT ON THE BOARD OF THE KRUPP GMBH.

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3. AT THE SAME TIME IT WAS ANNOUNCED THAT A JOINT INVESTMENT COMPANY WILL BE FOUNDED BY KRUPP AND IRAN WITH ITS SEAT IN ZURICH. THIS COMPANY IS TO BE RESPONSIBLE FOR FINANCING ALL FUTURE FOREIGN INVESTMENTS OF THE KRUPP CONCERN AND CARRYING OUT PROJECTSOF INTEREST TO KRUPP AND IRAN.

4. FURTHERMORE, THE AGREEMENT PROVIDES FOR THE EXCHANGE, FREE OF CHARGE, OF TECHNICAL KNOW-HOW THROUGH THE KRUPP CONCERN TO THE INVESTMENT COMPANY.

5. MORE DETAILS ABOUT THE AGREEMENT ARE EXPECTED TO BE ANNOUNCED AT A PRESS CONFERENCE IN ESSEN TODAY WHICH KRUPP LEADERS BERTHOLD BEITZ AND ERNST-WOLF MOMMSEN HAVE CALLED.

6. THE NEWSPAPERS ARE NOT YET CERTAIN HOW TO ASSESS THIS NEW DEVELOPMENT. FIRST CAUTIOUS COMMENTS RANGE FROM THE HOPE THAT PART OF THE ABUNDANT CAPITAL OF OIL PRODUCERS WILL NOW BE USED FOR MEANINGFUL PURPOSES, TO THE UNEXPRESSED FEAR THAT NO ONE CAN REALLY KNOW WHAT THE SHAH HAS IN MIND WITH THIS TRANSACTION. ONE THING IS CERTAIN, HANDELSBLATT BELIEVES, NAMELY THAT "HIS IMPERIAL HIGHNESS, BEITZ AND MOMMSEN HAVE PROVIDED A COUP OF SURPRISE TO THE WESTERN ECONOMIC WORLD" AND THAT THE TRANSACTION MEANS A DECISIVE STRENGTHENINGAND EXPANSION OF THE RELATIONS BETWEEN KRUPP AND IRAN WHICH WERE INITIATED AT THE GERMAN-IRANIAN INVESTMENT CONFERENCE IN TEHRAN IN APRIL OF THIS YEAR.

7. THE PREPARATORY WORK FOR THE PARTICIPATION WAS OBVIOUSLY MADE UNDER STRICTEST SECRECY SO THAT EVEN THE ECONOMICS MINISTRY UP TO THE ASSISTANT

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INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 EB-11 CIEP-02 TRSE-00 STR-08

OMB-01 CEA-02 COME-00 FRB-03 XMB-07 OPIC-12 LAB-06

SIL-01 INT-08 DRC-01 FEAE-00 ( ISO ) W
---------- 041670
R 181717Z JUL 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 3908
INFO AMEMBASSY TEHRAN
AMCONSUL DUSSELDORF

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SECRETARY LEVEL REPORTEDLY LEARNED ABOUT IT ONLY THROUGH THE NEWS AGENCY REPORTS. ONLY HIGHER LEVELS ARE SAID TO HAVE BEEN INFORMED. THEREFORE, A MINISTRY SPOKESMAN WAS NOT PREPARED TO MAKE ANY COMMENT SINCE "THE REPORTS ABOUT THE FUTURE COOPERATION BETWEEN KRUPP AND IRAN ARE OF SUCH HIGH SIGNIFICANCE THAT IT WILL FIRST BE NECESSARY TO EXAMINE THE ENTIRE BACK-GROUND". IN AN INTERVIEW WITH THE BONN GENERAL ANZEIGER, ECONOMICS MINISTRY STATE SECRETARY ROHWEDDER, AS ONE OF THE FEW PERSONS KNOWING OF THE PLANNED PARTICIPATION, NAMED THE TRANSACTION "AN ENTIRELY NORMAL AND, IN VIEW OF THE EXISTING ENGAGEMENT OF KRUPP IN IRAN, A CONSISTENT MATTER". HE CALLED THE FURTHER DEVELOPMENT OF THESE RELATIONS AS BEING IN THE INTEREST OF THE FEDERAL GOVERNMENT. EVEN THOUGH THE KRUPP TRANSACTION HAS NO DIRECT CONNECTION WITH THE FRG ENERGY SUPPLY FROM IRAN, ROHWEDDER DID NOT EXCLUDE INDIRECT EFFECTS FROM IT. ACCORDING TO THE
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PAPER, HE MAINTAINED THAT THE CLOSER AND BROADER THE INDUSTRIAL COOPERATION IS BETWEEN GERMAN FIRMS AND IRAN, THE BETTER WILL BE THE CLIMATE FOR ENERGY-POLITICAL COOPERATION.
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**TAGS:** EGEN, GE, IR, FRIED KRUPP, KRUPP
**To:** STATE
**Type:** TE
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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